



**Business and Financial Highlights**  
*First Quarter Ended June 30, 2012*

Shinsei Bank, Limited  
July 31, 2012

# 1Q FY2012 Results : Key Points

## Solid progress towards achievement of MTMP final year targets

- Consolidated Net Income: JPY16.4 billion (EPS: JPY6.19)
- Consolidated Cash Basis Net Income: JPY18.8 billion (Cash Basis EPS: JPY7.11)
- Diluted Equity Per Share: JPY217.39

## Growing loans while profitability and asset quality improving

- Core profitability improving while limited impact on PL from non-recurring items
- Loans up at the Individual Group (bank portion) and Institutional Group
- Reduction in NPL balance and NPL ratio continues to decline

## Improvement in capital ratios towards achieving Basel III standards

- Capital ratios stronger due to higher retained earnings and lower risk weighted assets
  - ✓ Total capital adequacy ratio (Basel II) at highest level in four years
  - ✓ Tier I capital ratio (Basel II) at highest level in over six years

# 1Q FY2012 Results: Financial Summary

(JPY billion)

- Good progress towards achieving FY2012 targets
- Absence of non-recurring items in 1Q FY2012 leads to normalized earnings

[Consolidated]	1Q FY2011 (3 months)	1Q FY2012 (3 months)	FY2012 Full-Year Forecast	Progress (%)
<b>Revenue</b>	57.4	52.0	218.0	24%
<b>Net Interest Income</b>	31.2	28.2	115.0	25%
<b>Non-Interest Income</b>	26.1	23.8	103.0	23%
<b>Expenses</b>	31.1	31.7	133.0	24%
<b>Net Credit Costs</b>	2.1	-0.6	18.0	-
<b>Net Income</b>	18.1	16.4	51.0	32%
<b>Cash Basis Net Income<sup>1</sup></b>	20.8	18.8	60.0	31%
<b>ROE</b>	13.2%	11.6%	About 9%	-
<b>Cash Basis ROE</b>	16.9%	14.6%	Over 10%	-
[Non-Consolidated]				
<b>Operating Business Profit</b>	0.5	8.1	35.0	23%
<b>Net Income</b>	6.6	7.4	22.0	34%

## Outlook for FY2012

- Macro-economic forecasts<sup>2</sup> suggest 2.3% growth in real GDP and 1.8% growth in nominal GDP
- Expect gradual recovery in domestic economy to continue due to demand for exports from Asian emerging nations, and gathering momentum in post-Earthquake recovery demand
- Downside risks include a slow-down in overseas economies due to the European sovereign debt crisis and stagnant domestic capex due to strong yen

## Revenue Forecast for FY2012

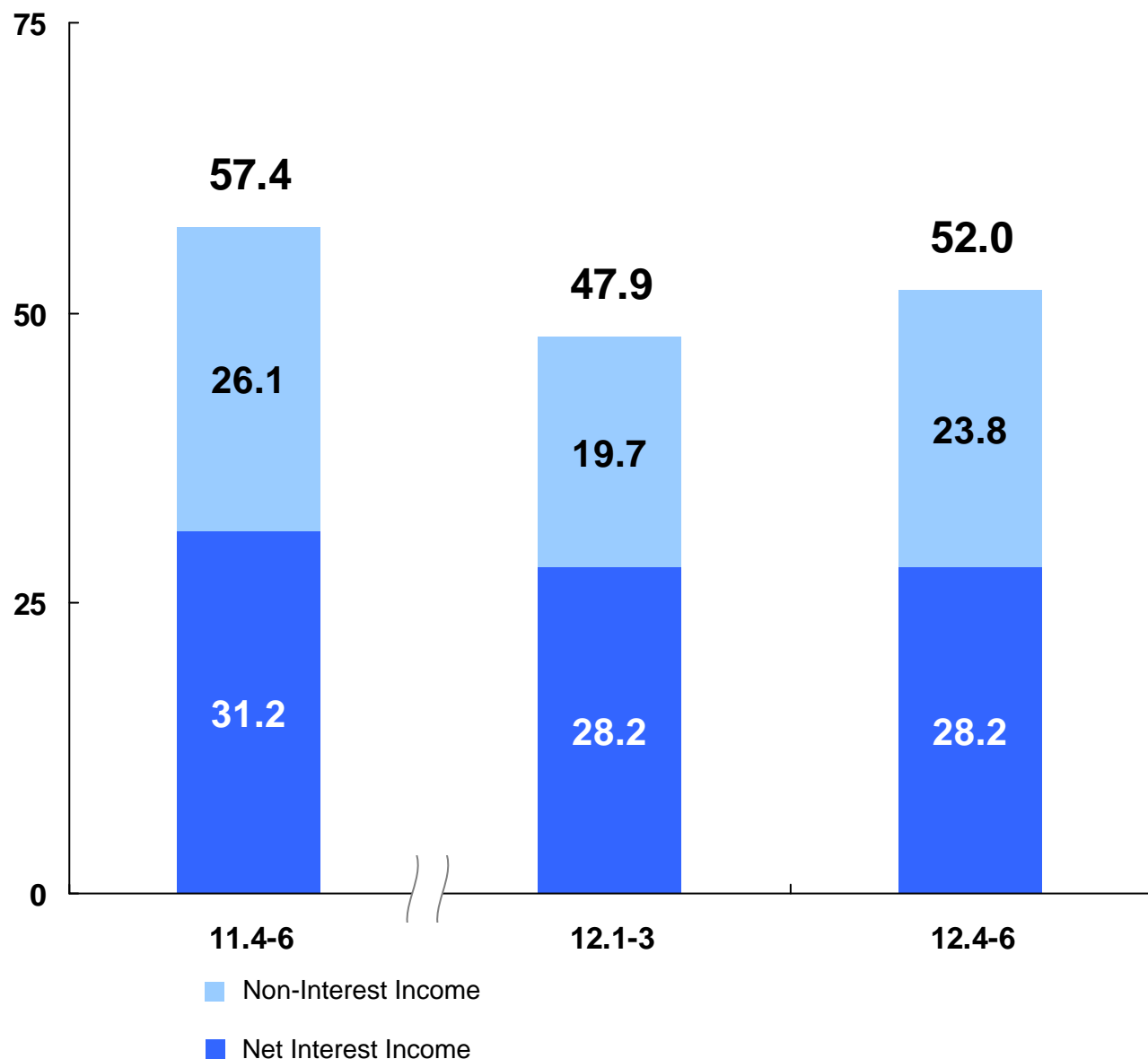
- **Net interest income:**  
Expect interest income to be largely in line with FY2011 level as new disbursements and growth in balance of loans, coupled with lower funding costs, limit the effect of the decrease in operating assets in previous years
- **Non-interest income:**  
Expect increase from transactions with expanded customer base, from market-related business, and from leasing, credit card and installment sales credit businesses at our subsidiaries

<sup>1</sup> Cash basis net income is calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit

<sup>2</sup> Japan Center for Economic Research (JCER) ESP Forecast Survey (July 10, 2012)

# Financial Results: Revenue

(Consolidated, JPY billion)



## Non-Interest Income

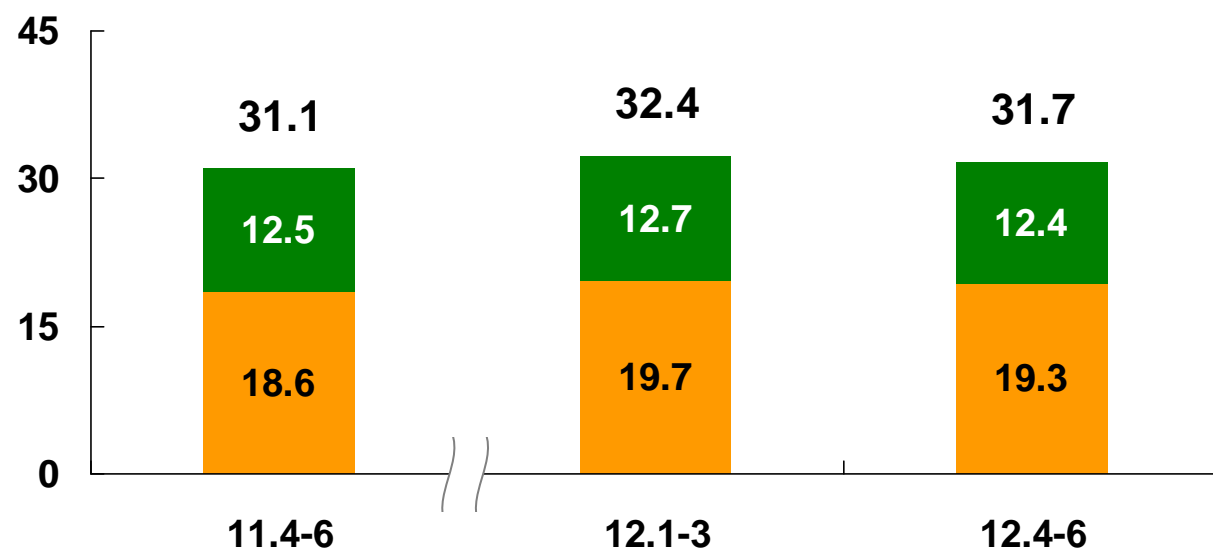
- Y-o-Y down JPY2.2 billion
  - ✓ Non-recurring items in 1QFY2011 include impact from JPY6.3 billion of gain on sales of non-core assets
- Revenues up JPY4.1 billion on 4Q FY2011
- Transaction volume increasing in Global Markets Group due to development and distribution of products to meet customers' needs
- Stable progress in income on lease transactions and installment receivables

## Net Interest Income

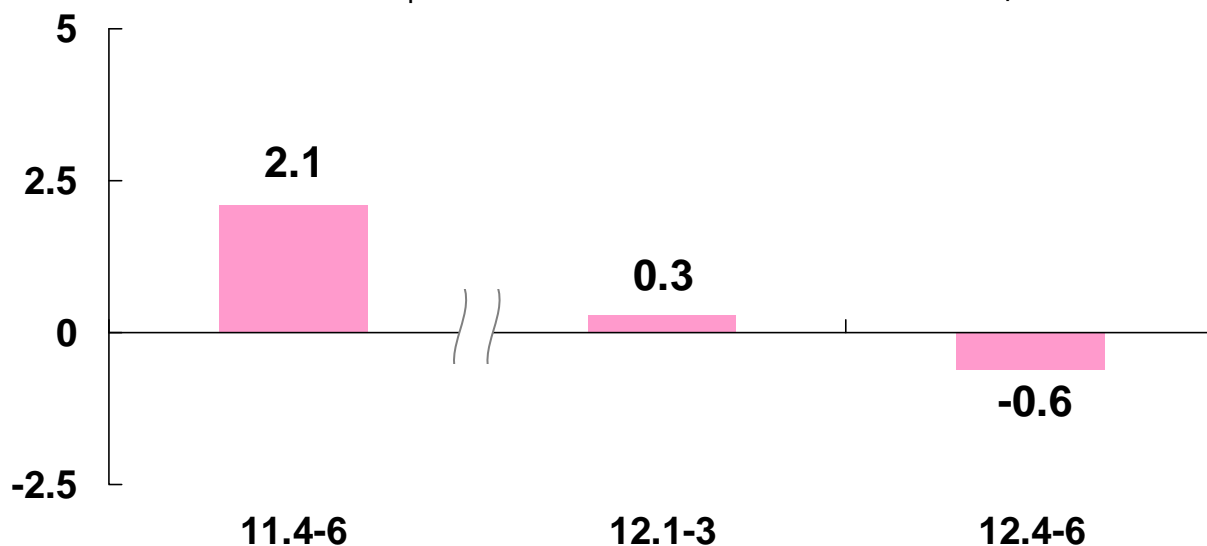
- Y-o-Y down JPY3.0 billion
  - ✓ Due mainly to declining loan balance of Consumer Finance business
  - ✓ However, increase in loan balance for institutional customers had positive contribution

# Financial Results: Expenses and Net Credit Costs

(Consolidated, JPY billion)



■ Personnel Expenses      ■ Non-Personnel Expenses



■ Net Credit Costs

## Expenses

- Y-o-Y up JPY0.6 billion
  - ✓ Main reason for increase was due to system related capital expenditures at APLUS FINANCIAL
  - ✓ Strategic resource allocation to expand customer base while strict cost management continues

## Net Credit Costs

- Y-o-Y down JPY2.8 billion, resulting in JPY0.6 billion recovery
  - ✓ Institutional business recorded reversals of reserves for credit losses due to sale of NPLs as well as recoveries of written-off claims
  - ✓ JPY2.8 billion of recoveries of written-off claims arising largely from consumer finance

# Non-Recurring Items: Limited Impact on PL

(Consolidated, JPY billion)

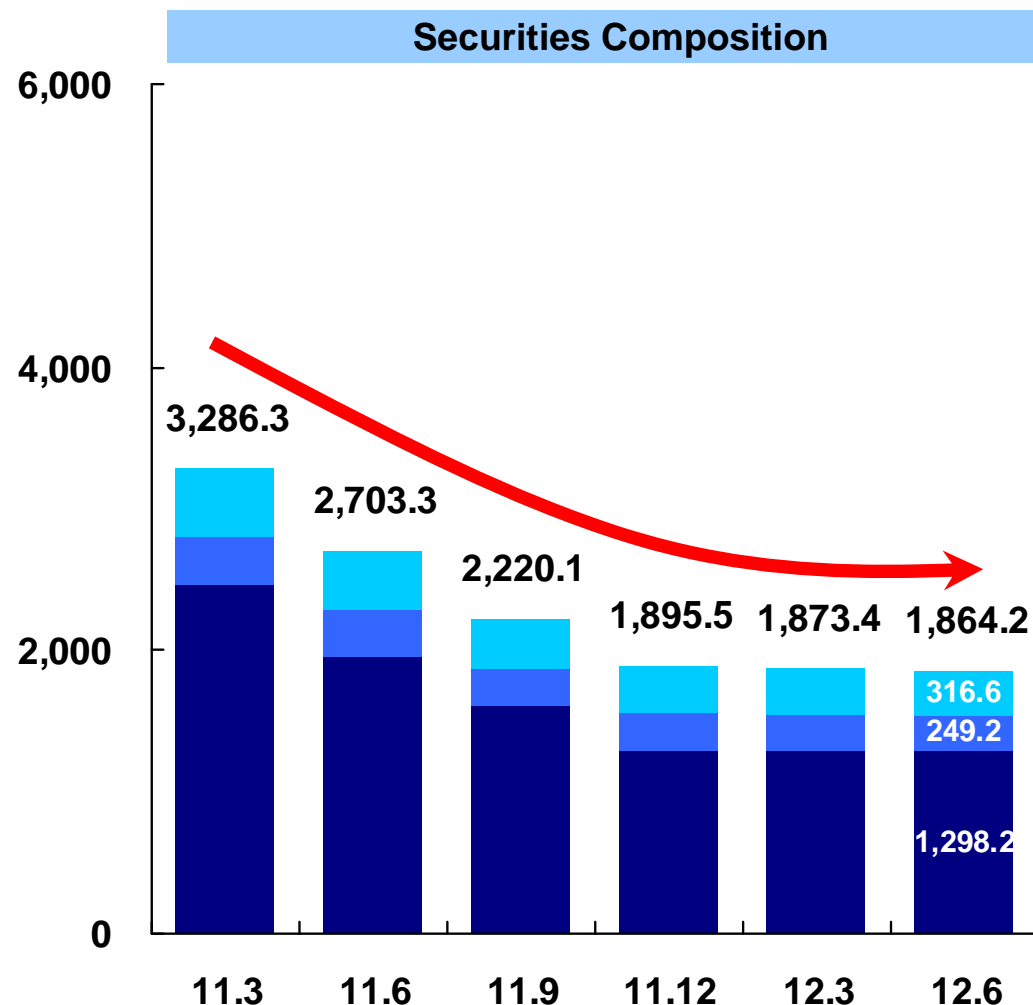
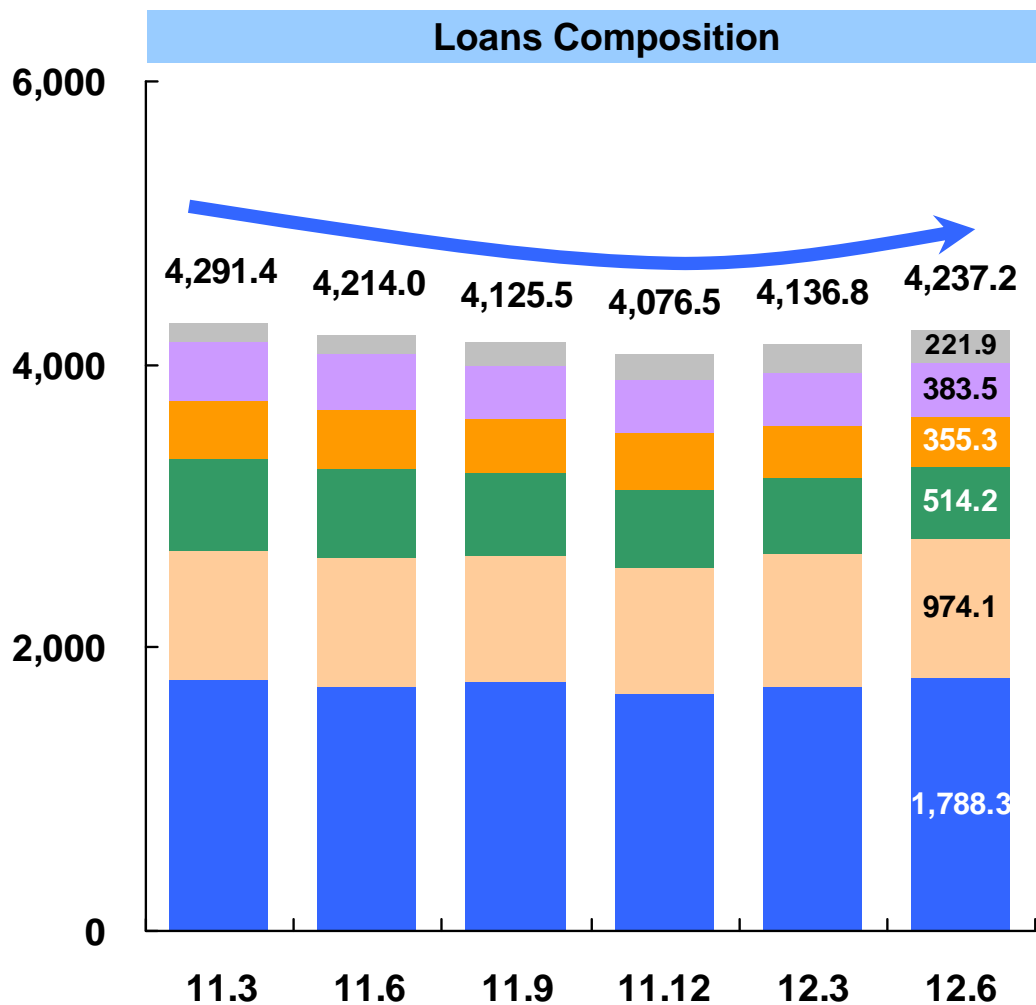
- Limited impact on PL by non-recurring items in 1Q FY2012

Non-Recurring Items	1Q FY2012 (3 months)	1Q FY2011 (3 months)
<b>Gains included in revenue</b>	-	<b>6.3</b>
Large gains from the sale / the redemption of non-core assets	-	6.3
Others	-	-
<b>Major positive items (1)</b>	-	<b>6.3</b>
<b>Mark-downs/impairments included in revenue</b>	<b>-0.0</b>	<b>-1.0</b>
Impairment of major listed shares	-	-
Impairment of domestic real estate non-recourse finance (bonds)	-0.0	-1.0
Others	-	-
<b>Items included in net credit costs</b>	<b>-0.2</b>	<b>-0.2</b>
Reversal of major institutional credit reserve	-	-
Specialty finance	0.8	-
Domestic real estate non-recourse finance	-0.8	-1.8
Large net credit costs related to non-core assets	-0.4	-
Others	0.6	1.6
<b>Items included in other losses</b>	-	<b>-0.8</b>
Grey zone related provisions	-	-0.8
Others	-	-
Corporate tax adjustment due to tax reform	-	-
<b>Major negative items (2)</b>	<b>0.2</b>	<b>-2.1</b>
<b>(1) + (2)</b>	<b>0.2</b>	<b>4.1</b>

# Balance Sheet: Loans and Securities

(Consolidated, JPY billion)

- Successive growth in corporate loans and housing loans
- Securities exposure under controlled management



Others  
 Real Estate Non-Recourse Loans  
 Housing Loan  
 Loans to Consumer Finance Customers (including Shinsei Bank Card Loan - Lake)  
 Corporate Loans (Basic Banking)  
 Other Product Loans

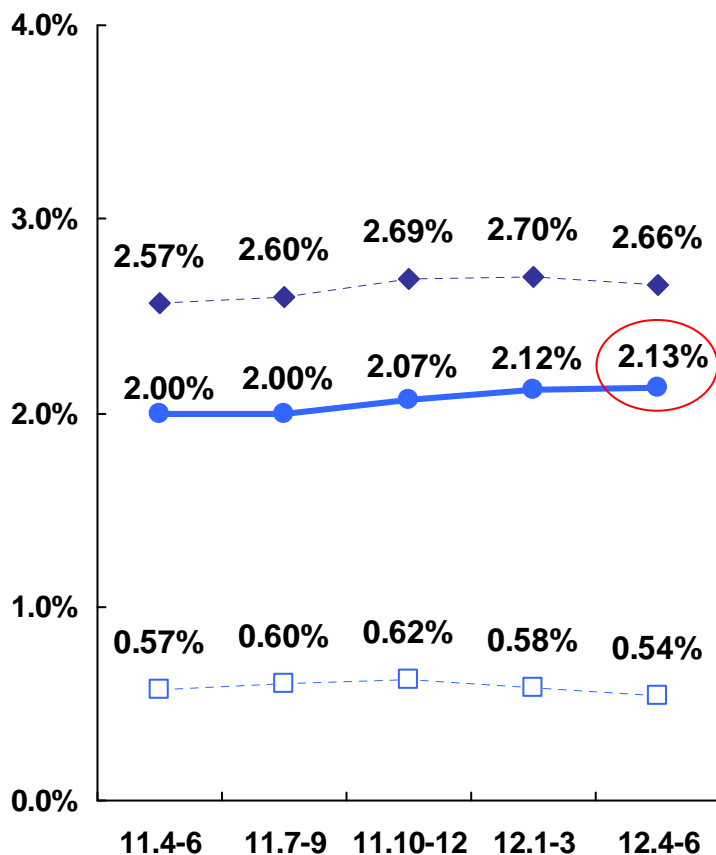
JGBs  
 Japanese Corporate Bonds  
 Japanese Local Government Bonds, Foreign Bonds and Others, and Japanese Equity Securities

# Net Interest Margin: Improvement Continues

(Consolidated, JPY billion)

- NIM up Y-on-Y due to higher yield on interest earning assets and lower funding rate
- Lower rate on deposits and change of asset portfolio mix, due to reduction of JGBs, contributed

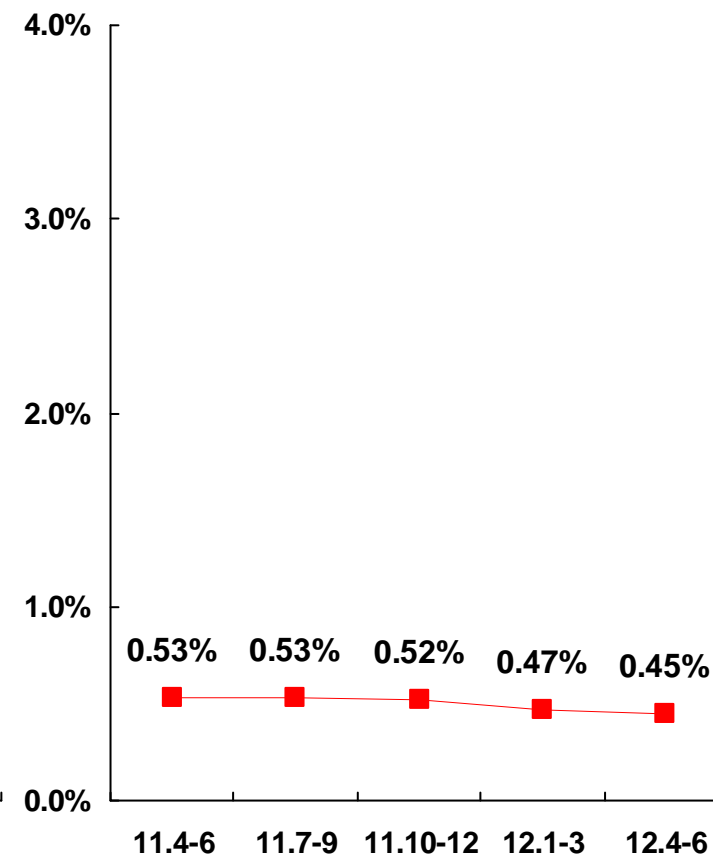
### Net Interest Margin<sup>1</sup>



### Yield on Loans and Securities



### Rate on Deposits



- ◆ Yield on interest earning assets<sup>1</sup>
- Net interest margin<sup>1</sup>
- Rate on interest bearing liabilities

- Yield on loans and bills discounted
- ▲ Yield on securities

- Rate on deposits, including Negotiable Certificates of Deposit

<sup>1</sup> Includes income on leased assets and installment receivables

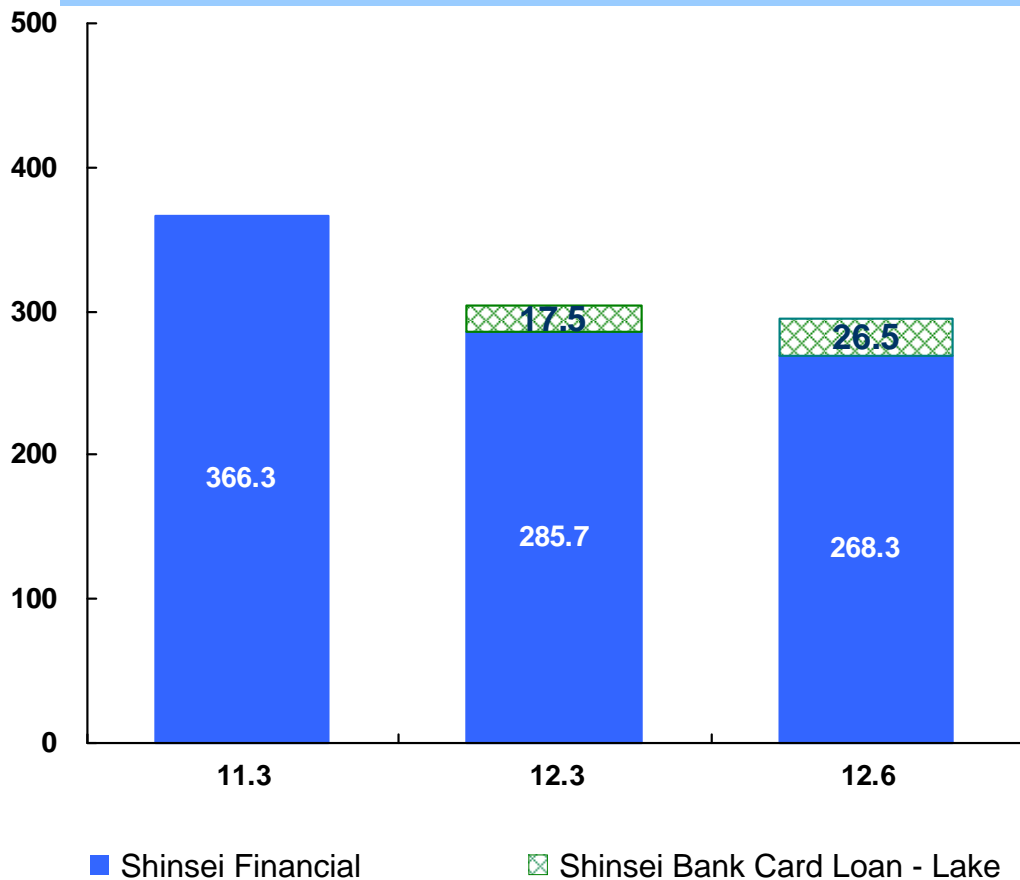


# Business: Unsecured Personal Loans (Lake)

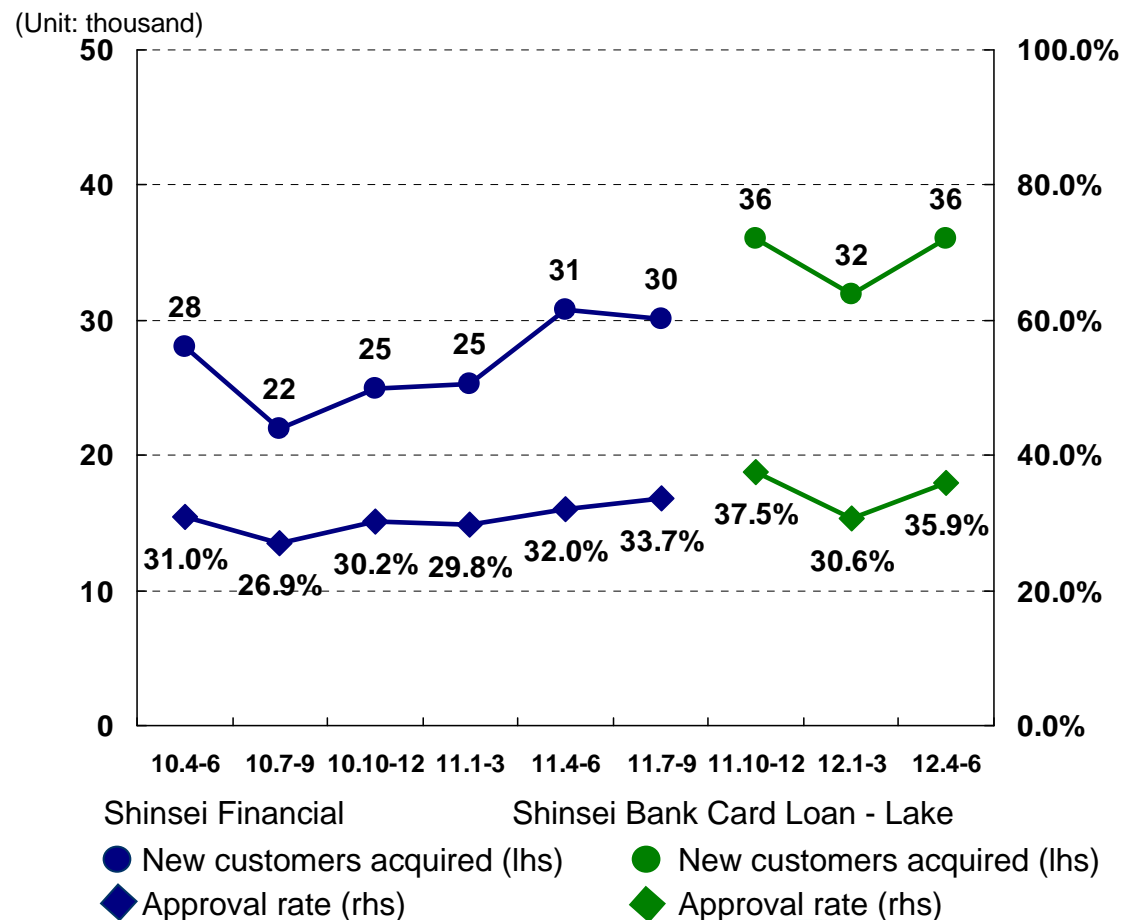
(JPY billion)

- Decline of UPL balance slowing
- Good progress in UPL balance and new customers for Shinsei Bank Card Loan – Lake

### Unsecured Personal Loan (UPL) Balance of Shinsei Financial and Shinsei Bank Card Loan - Lake



### Quarterly Trend in New Customers Acquired and Approval Rate



# Business: Grey Zone Interest Repayment

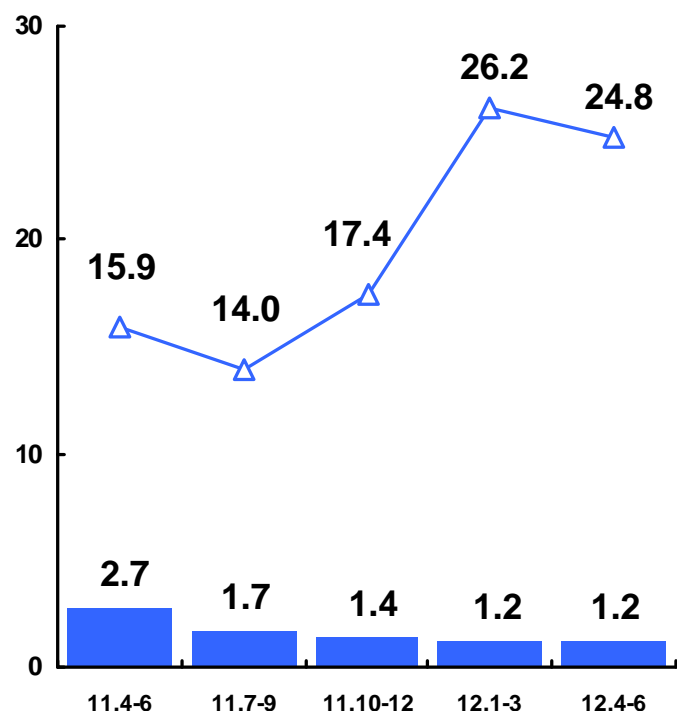
(JPY billion)

- Lower grey zone repayment amount trend continues with Shinki at all time low
- Number of disclosure claims up slightly on 4Q FY2011, which was affected by seasonality, but long-term downward trend continues

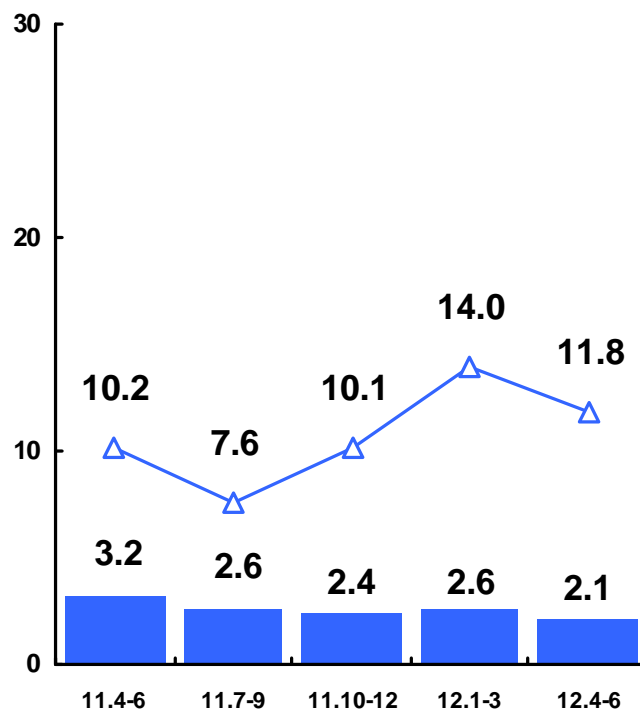
(Unit: thousands)

Number of Disclosure Claims	11.4-6	11.7-9	11.10-12	12.1-3	12.4-6
Shinsei Financial	25.0	19.5	17.8	16.5	16.6
Shinki	4.1	3.1	3.0	2.7	2.8
APLUS FINANCIAL	4.2	2.9	2.9	2.6	2.7

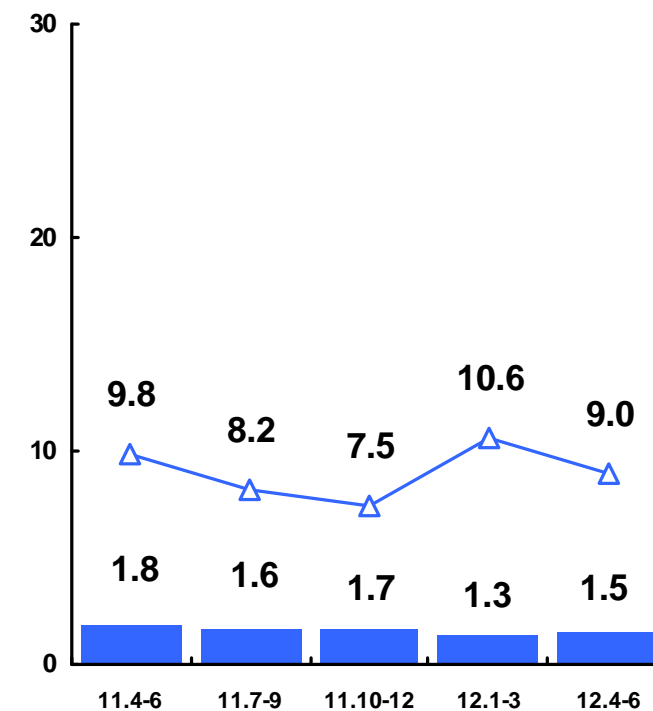
Shinsei Financial<sup>1</sup>



Shinki



APLUS FINANCIAL



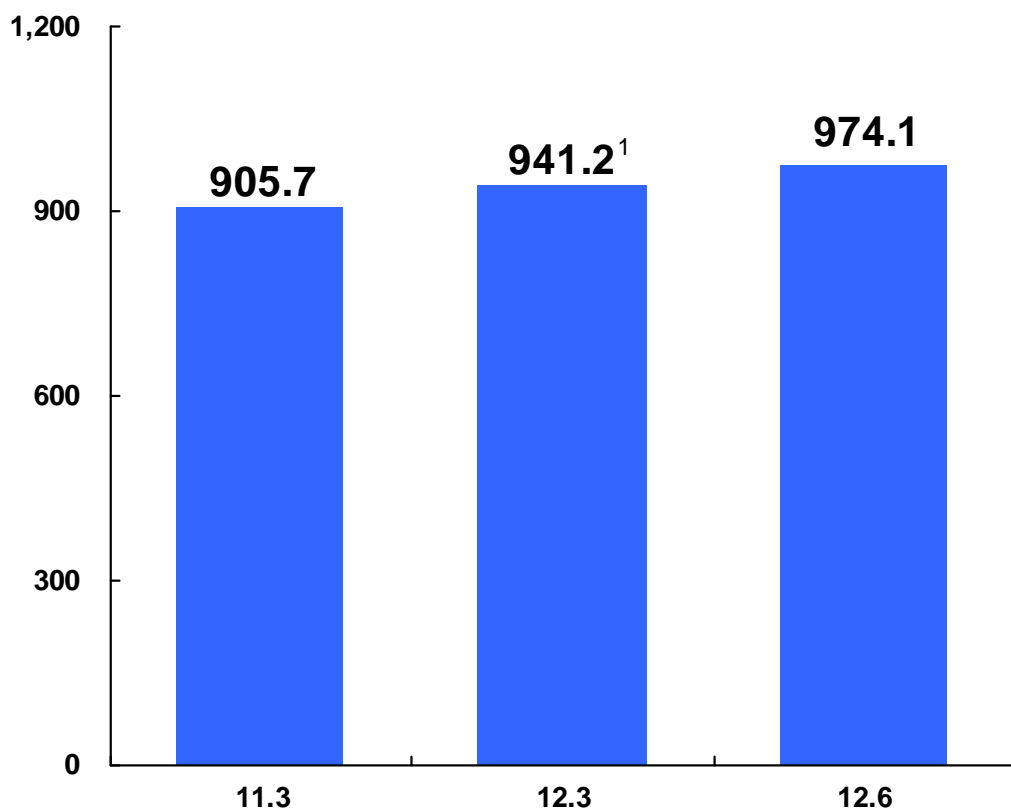
<sup>1</sup> Certain portion of Shinsei Financial's portfolio is covered by GE indemnity contract. Interest repayment amount is net of refunds subject to GE indemnification

# Business: Housing Loans

(JPY billion)

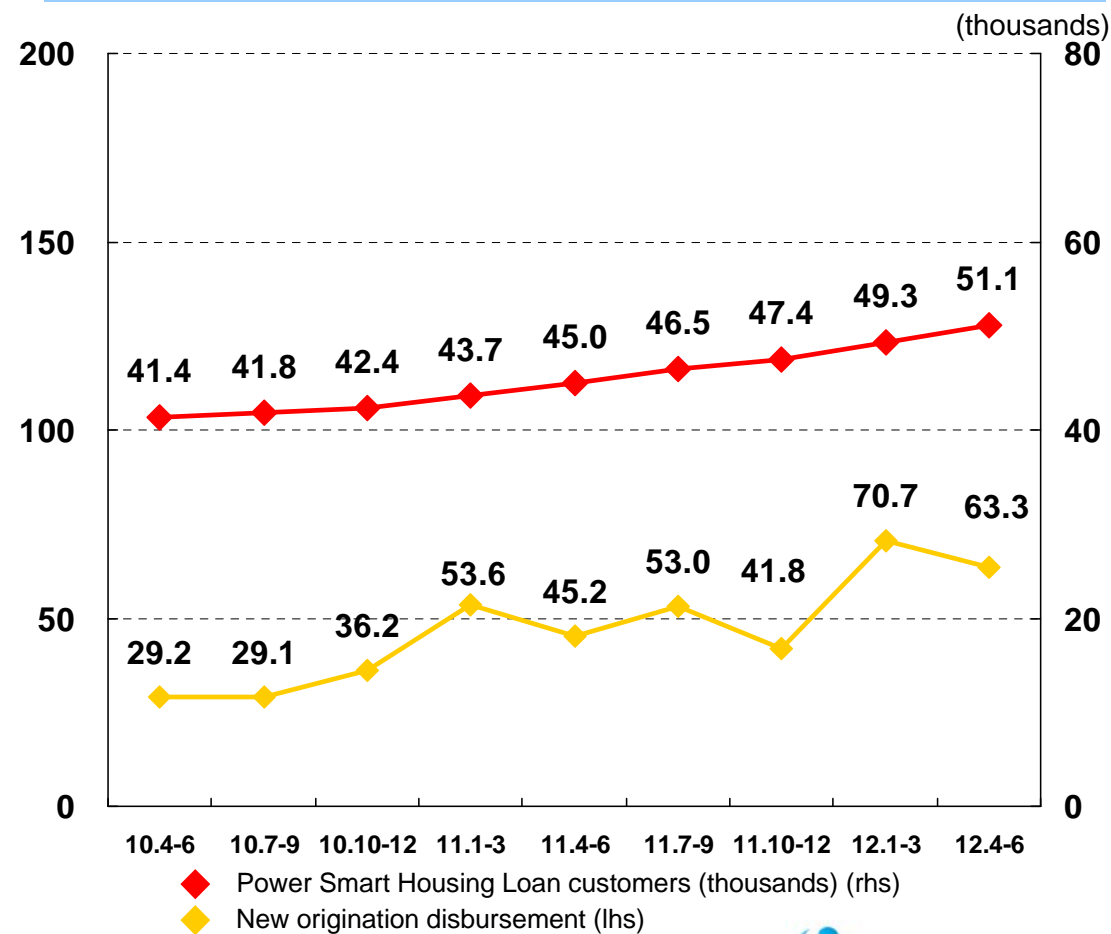
- Solid increase in housing loan balance to record level due to unique characteristics of product
- Strong growth in new disbursements continues due to increase in new customers

### Housing Loan Balance



<sup>1</sup> A portion of housing loans previously held through a subsidiary were sold in 2Q FY2011

### Quarterly Trend in Disbursement and Customer Numbers

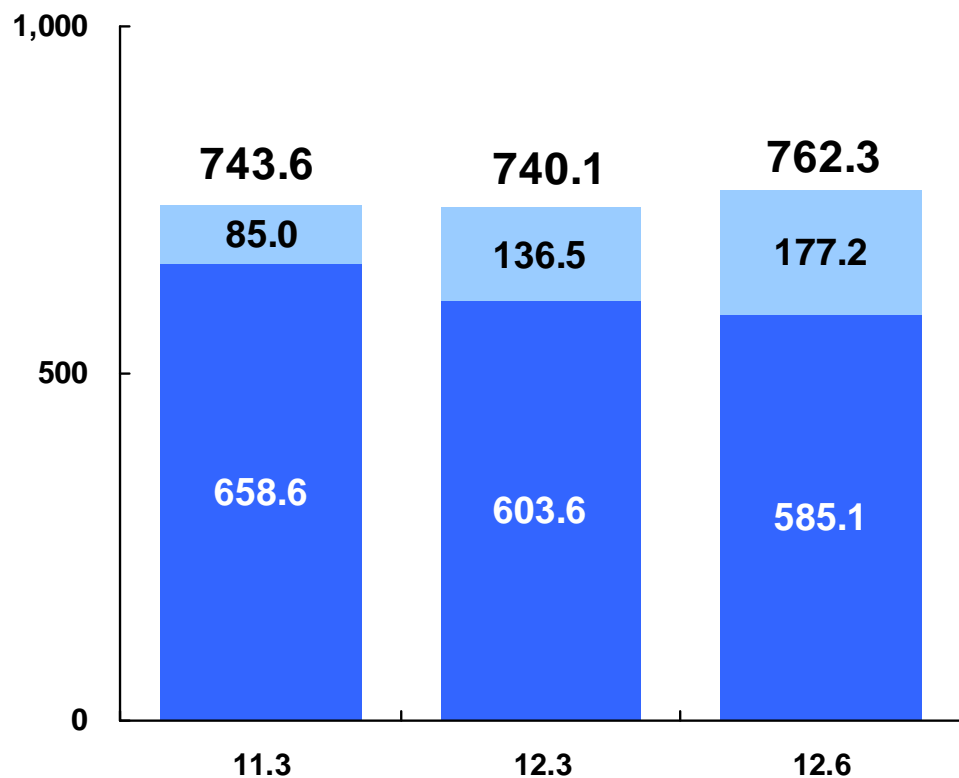


# Business: Real Estate Finance

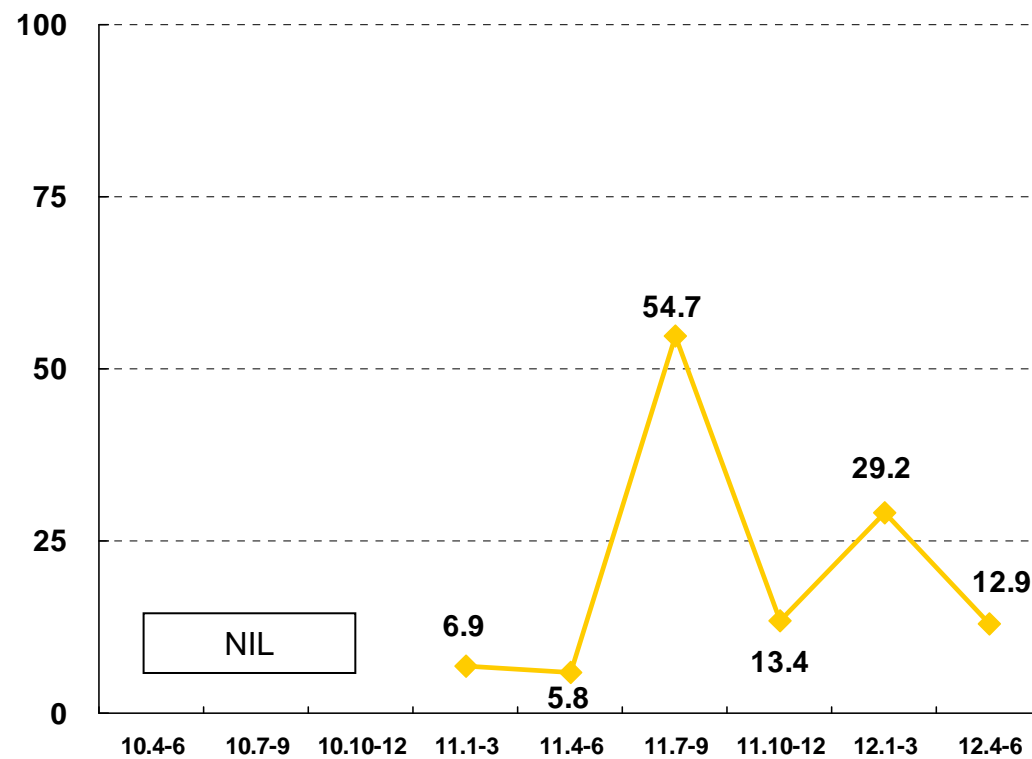
(JPY billion)

- Progressing with asset replacement in real estate non-recourse finance portfolio
- Increasing real estate finance loans including loans to real estate companies and REITs

### Real Estate Finance Balance



### Quarterly Trend in New Disbursements for Non-Recourse Finance



■ Real Estate Non-Recourse Finance<sup>1,2</sup> ■ Other Real Estate Finance Loan<sup>3</sup>

<sup>1</sup> Real estate non-recourse finance includes bonds (including other monetary claims purchased)

<sup>2</sup> Excludes the portion (JPY24.5 billion) eliminated through consolidation in FY2011

<sup>3</sup> Other Real Estate Finance Loan includes loans to real estate companies and loans to REITs

◆ New disbursement

# Non-Performing Loan: On-going Disposal

(Non-Consolidated, JPY billion)

- Performing loans increased by JPY140.6 billion while non-performing loans decreased by JPY12.4 billion compared to March 2012
- NPL ratio down 46 bps on March 2012 due to continuous improvement in asset quality

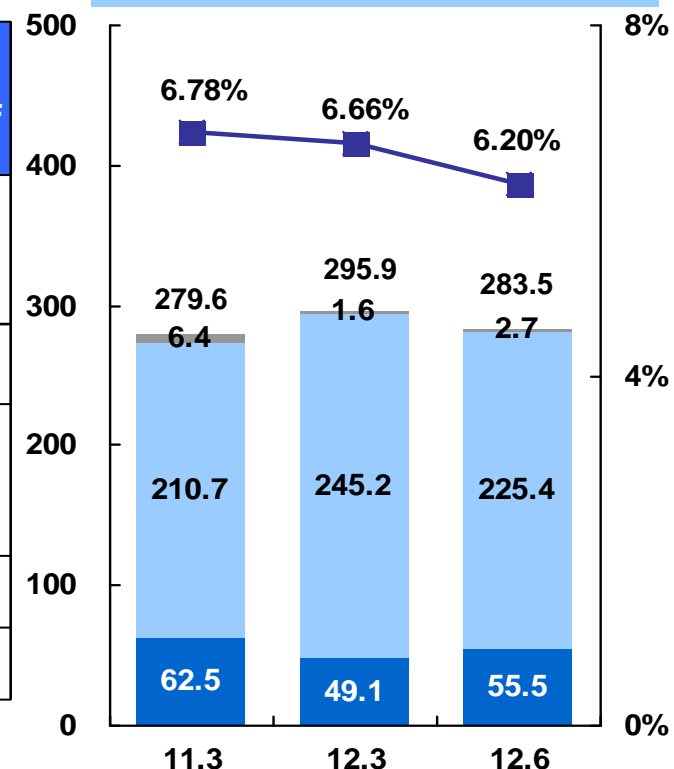
## Breakdown of Total Claims and Coverage by Credit Category<sup>1</sup>

(as at June 30, 2012)

	Balance	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off
Normal	4,005.1	22.4			0.0
Need Caution	285.5	15.9			0.1
Performing Loans	4,290.5	38.3			0.1
Substandard/Possibly Bankrupt	228.1	66.8	152.9	96.3%	0.1
Virtually/Legally Bankrupt	55.5	3.3	52.1	100.0%	69.9
Non-Performing Loans	283.5	70.1	205.0	97.0%	70.0
<b>Total Claims</b>	<b>4,574.0</b>	<b>108.4</b>			<b>70.2</b>

<sup>1</sup> Coverage of total claims based on Financial Revitalization Law

## NPL Amounts and NPL Ratio Based on Financial Revitalization Law



■ Substandard claims (lhs) ■ Doubtful claims (lhs)  
 ■ Claims against bankrupt and quasi-bankrupt obligors (lhs)  
 ■ NPL ratio (rhs)

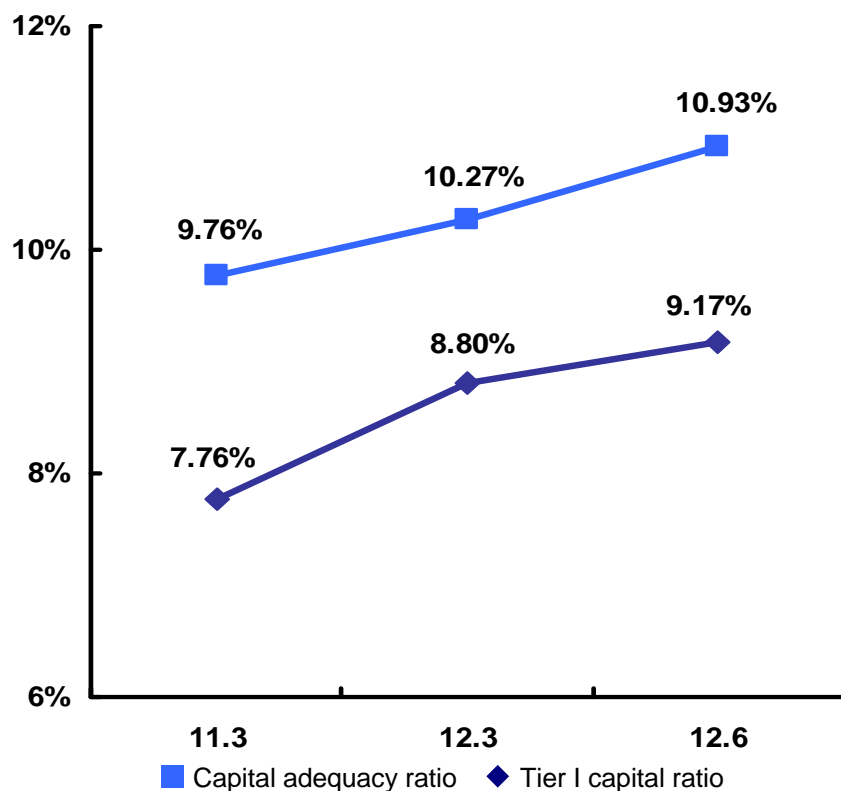


# Capital: Adequate Level due to Increase in Retained Earnings

(Consolidated, JPY billion)

- Improved capital ratios with highest capital adequacy ratio in 4 years and Tier I capital ratio in 6 years
- Aiming to achieve over 10% capital adequacy ratio under Basel III at March 31, 2013

### Trend of Capital Ratios (Basel II)



<sup>1</sup> Reflected stressed VaR of so-called "Basel 2.5"  
<sup>2</sup> Estimates have been made by Shinsei Bank based on information available at the time point. Estimate for June-end 2012 is based on the international standard

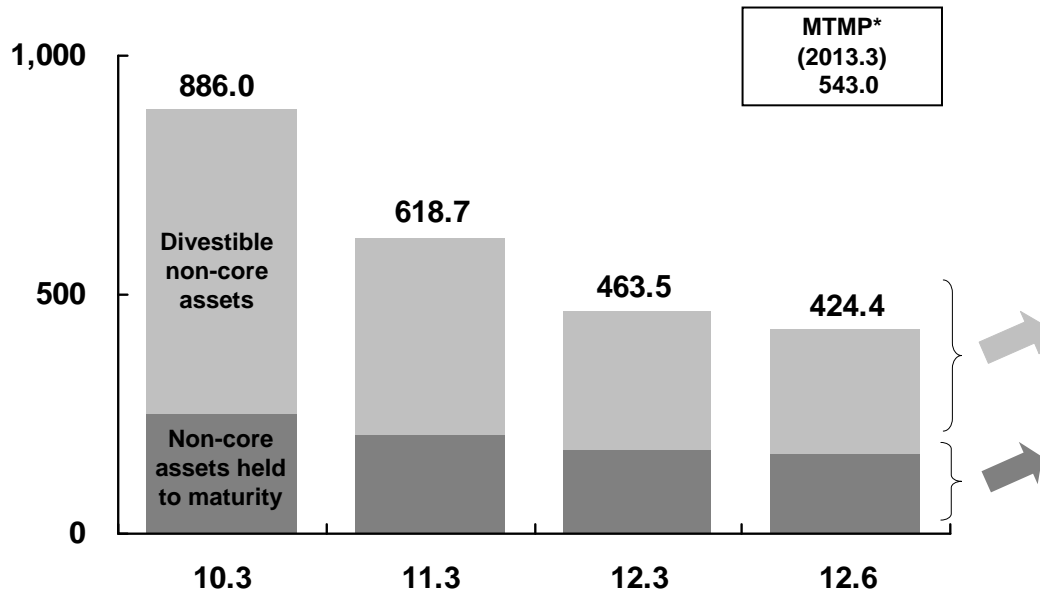
### Capital Composition

	2012.3 (Basel II <sup>1</sup> )	2012.6 (Basel II <sup>1</sup> )	2012.6 (Basel III Estimate <sup>2</sup> )	MTMP (Target) (Basel III)
Common Equity Tier I			539.9	
Other Tier I				
Basic Item (Tier I)	537.1	552.3	539.9	
Amount Eligible for Inclusion in Capital (Tier II)	197.0	188.0	104.1	
Deduction	-107.2	-82.2		
Total Capital	626.9	658.1	644.0	
Risk Weighted Assets	6,102.5	6,019.7	6,444.5	
Capital Adequacy Ratio	10.27%	10.93%	10.0%	10%
			<i>Estimate:</i>	
Common Equity Tier I Capital Ratio			8.4%	5%
Tier I Capital Ratio	8.80%	9.17%	8.4%	7%

# Appendix

- Sharp decline in non-core assets while aiming to reduce balance below JPY400 billion in FY2012
- Minimal PL impact from non-core asset disposal

### Outstanding Balance of Non-core Assets



### Non-core Assets Composition by Asset Type and Region

(as at June 30, 2012)

Balance (2012.6)	Region				Total
	U.S.	Europe	Asia, Others	Japan	
Loan	4.8	23.0	1.0	33.8	① 62.8
Securities	50.8	74.9	38.7	27.9	② 192.5
<b>Divestible Total (1)</b>	<b>55.7</b> ③	<b>98.0</b>	<b>39.8</b>	<b>61.8</b>	<b>255.3</b>
Loan	-	-	-	-	-
Securities	30.9	9.0	-	129.1	169.0
<b>Held to Maturity Total (2)</b>	<b>30.9</b>	<b>9.0</b>	<b>-</b>	<b>129.1</b> ④	<b>169.0</b>
<b>Non-Core Assets Total (1)+(2)</b>	<b>86.6</b>	<b>107.0</b>	<b>39.8</b>	<b>190.9</b>	<b>424.4</b>

\* Reduce divestible non-core assets by approximately 50% by end of MTMP (March 31, 2013)

### Limited PL impact from non-core assets

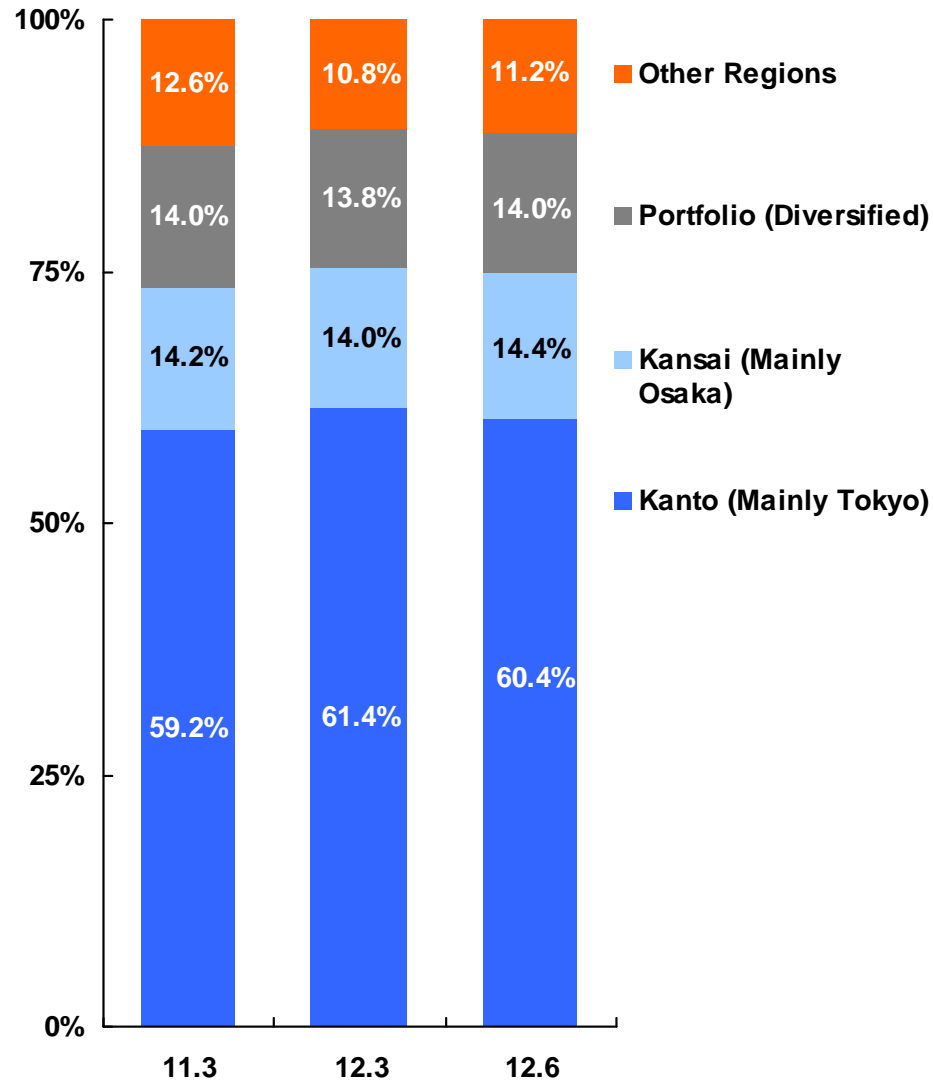
- ① Only JPY12.9 billion of NPLs (including JPY12.0 billion of ABI, 96% coverage ratio)
- ② Evaluation gains for non-core securities with fair value that are divestible are about JPY0.3 billion as of June 2012
- ③ Majority of European exposures in divestible non-core assets are in Germany and the U.K.
- ④ Held-to-maturity non-core assets are primarily composed of domestic housing loan warehousing and rest is CLO



# Real Estate Non-Recourse Finance: Diversified Portfolio

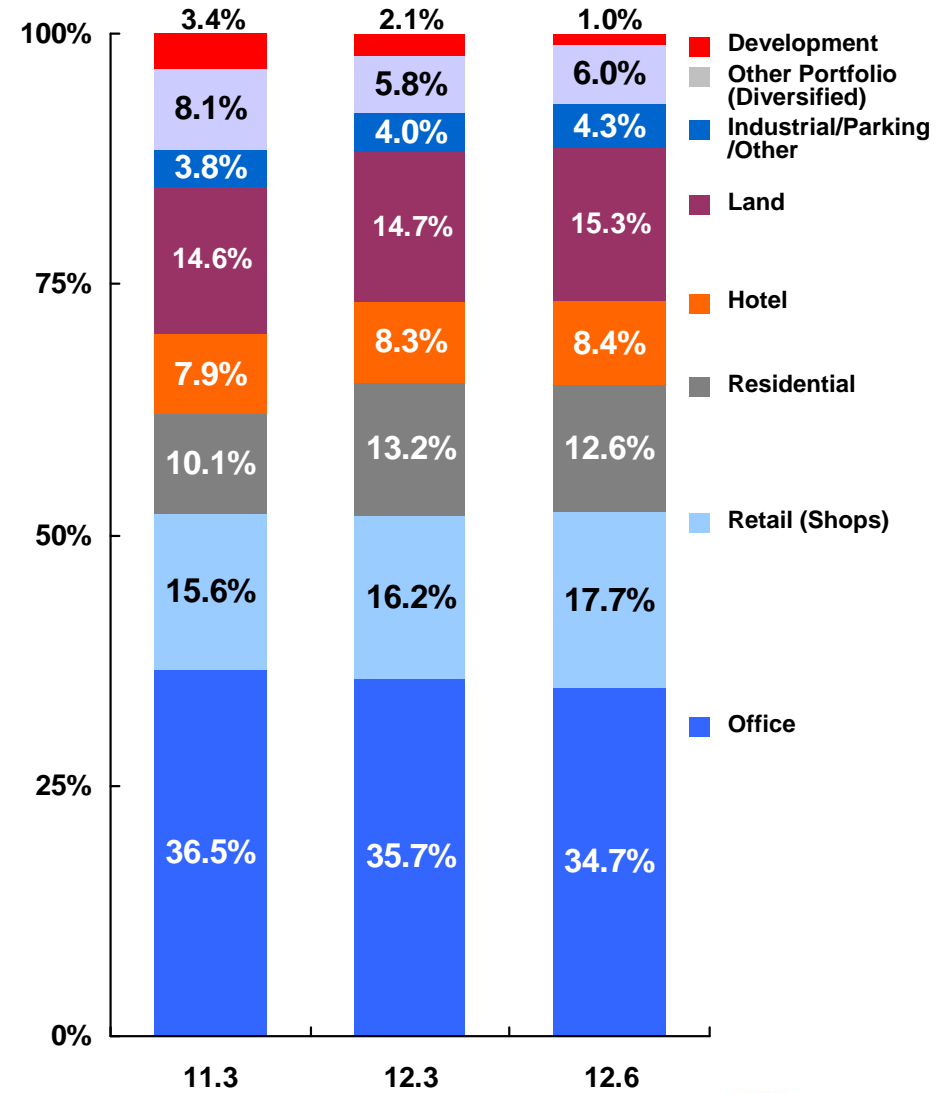
## Breakdown by Region

(as at June 30, 2012)



## Breakdown by Asset Category

(as at June 30, 2012)





# Major News in FY2012

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## 1Q (April-June 2012)

- April 25: Shinsei Bank to Install Shinsei Bank Card Loan - Lake ACMs in Bank ATM Corners
- June 12: Shinsei Bank to Take Over Ownership of a Majority of Lloyds Banking Group's Retail Banking Services in Japan
- June 25: Shinsei Bank Begins Handling Chinese Yuan, Brazilian Real, and Turkish Lira

## 2Q (July-Sept 2012)

- July 2: gumi and Shinsei Bank to Establish Venture Fund Targeting Mobile Entertainment Companies
- July 19: Shinsei Bank Group to Team Up With Manchester United to Issue Affiliate Credit Cards in Japan
- July 30: Shinsei Bank Forges Comprehensive Business Alliance with India's YES BANK

## 3Q (Oct-Dec 2012)

## 4Q (Jan-Mar 2013)

- **The above description of Shinsei's medium-term plan contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.**
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